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**COMMISSION MEETING  
THURSDAY, OCTOBER 10, 2002  
MINUTES**

**Chair Orr** called the meeting to order at 1:30 p.m., at the WestCoast Grand Hotel at the Park in Spokane. He welcomed the attendees and introduced members and staff present:

**MEMBERS PRESENT:**

**COMMISSIONER GEORGE ORR, Chair;**  
**COMMISSIONER LIZ McLAUGHLIN, Vice Chair;**  
**COMMISSIONER CURTIS LUDWIG;**  
**COMMISSIONER JANICE NIEMI;**  
**COMMISSIONER ALAN PARKER;**  
**SENATOR MARGARITA PRENTICE;**  
**SENATOR SHIRLEY WINSLEY;**  
**REPRESENTATIVE ALEX WOOD;**  
**REPRESENTATIVE CHERYL PFLUG;**

**OTHERS PRESENT:**

**RICK DAY, Executive Director;**  
**ROBERT BERG, Deputy Director, Operations;**  
**ED FLEISHER, Special Assistant, Policy & Government Affairs;**  
**DERRY FRIES, Assistant Director, Licensing Operations;**  
**CALLY CASS-HEALY, Assistant Director, Field Operations;**  
**AMY PATJENS, Administrator, Communications & Legal;**  
**JERRY ACKERMAN, Assistant Attorney General;**  
**SHIRLEY CORBETT, Executive Assistant**

**Employee Service Recognition Awards:**

**Director Day** and **Commissioner Orr** presented two employees with sate service recognition awards: Eric Gural, 5 years, and Cathy Harvey 10-years.

**Partnership Program Participation:**

**Ms Patjens** announced this program has been in effect for a couple of years. It was designed to help staff learn more about the different units within the agency. She introduced and welcomed Kelly Main.

**1. REVIEW OF AGENDA AND DIRECTOR'S REPORT:**

**Agenda Review:**

**Director Day** briefly highlighted the agenda for Thursday and Friday and noted the only agenda change is Item #8, a request for a variance from the YWCA in Yakima; this will be continued to the November Commission meeting. **Director Day** pointed out additions provided to the Commissioners' agenda packets.

**Director's Report:**

**Director Day** reported that to date, he has personally interviewed 175 agency employees. He affirmed this has been a beneficial practice personally and professionally, and that he will continue meeting with each new employee as they reach their six-month employment anniversary.

**Director Day** referred to a pie chart depicting net receipt comparisons from 2000-2002. This pie chart has been used over the years and has been updated to include the 2002 information. He explained that the total dollars involved in net gambling have continued to grow, but it is clear it has been at a slower pace than in 2001. The areas of increase were house-banked card rooms, tribal casinos and horseracing. This pushes the states total to \$1.13 billion in 2002. A second chart tracks the economic factors to the trends and growth in gambling. The small graph shows a small increase in population, a two-year drop in retail sales, but an increase in the total gambling dollars. The graphs give some perspective as to what is happening relative to other economic factors.

**Commissioner Parker** asked if there was any way to analyze the amount of out-of-state gamblers who come into the state and contribute to these figures. **Ms. Patjens** responded that staff did not have that information; however she believed industry licensees might track that more closely. **Senator Prentice** recalled working on a privacy issue a couple of years ago where some retail establishments (not gambling) were asking for a zip code. She recalled how upset the customers got because they didn't want their privacy intruded upon. She thought a zip code was pretty innocuous, and they didn't even want to provide that—she believed this would be a really touchy area.

**Commissioner McLaughlin** asked for an explanation on the horseracing statistics, which they heard were going down dramatically, and now it appears that it has gone up from 1996-1999, and yet there are less tracks in Washington.

**Director Day** affirmed it is staff's understanding that the total figures are accurate—they are essentially for the track at Emerald Downs. He asked Mr. Fleisher how long it has been since there has been just one track. **Mr. Fleisher** believed about three years. **Senator Prentice** thought that simulcasting might be the reason for the impact. **Representative Wood** responded there was no doubt that was part of the reason, and that Longacres closing down had a huge impact on the industry as well. He said that when there was live racing at a racetrack, one could only have one signal coming in. His bill opened it up last year to the full card during live racing, which resulted in a 15 to 17 percent increase. There were no further questions.

- 1) Governor Locke's 2003-2005 Revenue Forecast: **Director Day** explained that Governor Locke's memorandum had been included in the packets to make sure the Commission is updated on information staff receives from the Governor's Office. This reference is to a \$2 billion General Fund deficit. The Governor also references the agency Activity Report—and the memo says the intention is not to cut the agencies budgets by a third. **Director Day** referred to the agency's budget book (page A16), and the agency Inventory Report approved by the Commission and submitted to the Office of Financial Management, along with a priority ranking. The effort that is included in this memo is to make sure staff has done everything they can to make sure state government services are delivered effectively. In that regard, he reminded the audience that in June of this last year, the Commission carried out a fairly substantial reduction of the agency budget. In addition, the agency extended a freeze that was imposed statewide. He noted the budget that was approved in August was actually approved at a level below what had been approved for the previous biennia. He emphasized that the Commission has been conscious of the overall state budget.
- 2) 2003-2005 Budget: **Director Day** noted the agency received a compliment from OFM for submitting the agency budget ahead of schedule.
- 3) Arrest Authority: **Director Day** recalled previous discussions regarding the agency's arrest authority and highlighted a summary provided by Assistant Attorney General Ackerman. The agency has the authority to investigate things that have a nexus to gambling—and will use this memo to help clarify agency policy in that regard. There will be discussion about fees, the purposes of fees and the interpretation of the Commission's authority to assess fees—the statute essentially says the Commission is responsible to levy fees to cover the entire cost of enforcement and licensing with Title 9.46 and related to crimes.
- 4) Advertising Sports Betting - Radio Station KRJ: **Director Day** addressed correspondence that was sent to KRJ Radio emphasizing that sports betting and Internet gambling is illegal. It also noted that it is also a crime to

advertises for, or facilitate those activities. Director Day reported that Radio KJR assured him that the advertisements have been discontinued.

- 5) NOVAS Initiative: **Director Day** provided an overview of the Notice of Violation and Settlement pilot project. The concept is to get more immediate and clarified notices of violations resolved at a lower level rather than going through the official Statement of Charges process. This provides an additional tool to facilitate handling things at the most immediate line level as possible without having to escalate things. An agent would issue a NOVAS as soon as they come upon a violation they've deemed appropriate. The NOVAS carries a \$200 penalty. Forty-four NOVAS' have been issued since the inception of the project, and only one has moved to a statement of charges. The most common violations involved instances of licenses not renewed.
- 6) Agency Strategic Planning Summary: **Director Day** updated the Commissioners on the agency's strategic planning process, which is designed to give the agency a long-term five- year plan and describes goals, objectives and measures. The agency has a plan, however, it was not completed in an extensive ground-level process. Director Day wants to develop a document that is usable and that could be monitored and amended as necessary. The revised draft plan will be provided to the Commission for consideration and final approval at the August 2003 meeting. Director Day noted a team of employees is guiding that process for the agency. Ms Patjens is chairing the group, and staff has conducted eleven meetings around the state. An employee survey was also a part of that process.
- 7) Employee Survey: **Director Day** shared general information regarding the recent employee survey taken in 2000, and highlighted the results in comparison to the 2002 version. The survey itself contained a lot of good news and it also points to areas for improvement. He noted the Department of Personnel noted that when compared to other state agencies that have completed this survey, the Gambling Commission is rated a higher total score overall in almost all of the points surveyed. Commission staff and the Commission itself, in the viewpoint of our employees, compares favorably to other state agencies. Director Day noted that in every category, the rankings from employees improved.

**Chair Orr** commented that he appreciated the frankness of the employees in their assessments, and, although the concerns may not always be 100 percent fixable, at least the Commission has shown respect to staff through their desire to know what they think. **Director Day** responded that the agency had a 78 percent response rate, which is high. One of the areas that the group rated highest was teamwork and participation. Another area related to the respect and trust staff feels they have to do their job.

**Director Day** addressed the following correspondence issues:

- 1) Director Day read into the record correspondence from Total Service Inc, an amusement licensee, highly praising the efforts of staff from the agency's Licensing Services Division. Director Day noted that oftentimes classified staff from licensing services work behind the scenes, and they don't often have the opportunity to see the end product or the results, or receive such gracious complements as offered in TSI's correspondence.
- 2) He noted four documents that related to gaming compacts or the "level the playing field" issue: the McDermott letter; a letter from the Coalition for Tribal Self-Reliance, a memo from EIC, and an overall study on the economic impact of gaming.

**Director Day** reported on the following routine reports:

- 1) Cash Flow Report: Director Day recalled the commitment to produce this report at the conclusion of each quarter to update the Commissioners on the status of cash flow for Bingo operations. The items of most significance were the entities facing revocation action due to having a four-month average below the required cash flow. One licensee will receive a suspension because of two negative quarters.

Director Day noted that although this changes daily, the agency's information shows about 24 Bingo licensees have gone to additional days. For the most part, they were running four or five days. It appears that one or two are operating at six days, and one at seven days, with another considering going to seven days. Director Day affirmed the process is moving forward.

- 2) Administrative Case Update and Seizure Case Update: Director Day briefly highlighted the cases in the report.

- 3) News Articles: Because of the extensive amount of administrative information in the agenda packet, the news articles were limited to tribal gaming issues and the EIC proposal. There were no questions.

2. **New Licenses, Changes, and Tribal Certifications:**

**Commissioner McLaughlin** made a motion seconded by **Commissioner Ludwig** to approve the new licenses, changes, and tribal certifications listed on pages 1 through 24 of the agenda packet under License Approvals. *Vote taken; the motion carried with five aye votes.*

3. **Manufacturer Review:**

**XpertX, Inc., Reno:**

**Derry Fries**, Assistant Director, reported this organization has applied for a Class D Manufacturer's license. Corporate headquarters and the assembly facility are located in Reno, Nevada. Eric Thomassian is the corporate president and sole owner of 100 percent of the corporate stock. Special agents from the agency's Financial Investigation Unit conducted a personal and criminal history investigation on Mr. Thomassian and on all substantial interest holders. They initiated and completed a review and analysis of Mr. Thomassian's personal and corporate financial records and completed an on-site inspection of the corporation's manufacturing facility in Reno, Nevada. There was no disqualifying information found. XpertX, Inc., is currently licensed and in good standing with the following jurisdictions: Arizona Department of Gaming, New Jersey Casino Control Commission, Nevada Gaming Control Board, Ontario Alcohol and Gaming Commission, and Tahono O/odham Indian Nation Gaming. There was no adverse information found from any of these jurisdictions. Based on the pre-licensing investigation, staff recommends approval of XpertX, Inc., as a Class D manufacturer.

**Commissioner McLaughlin** asked what the company manufactured. **Mr. Fries** replied Keno equipment. **Eric Thomassian**, President/Owner of XpertX, Inc. introduced himself. **Commissioner Ludwig** asked what kind of competition they anticipated from the tribal casino market in Washington. Mr. Thomassian said there are two main manufacturers of Keno equipment in the United States, and with respect to the competition, they put their products up against everyone else's and they believe they have a better product at a better price.

**Commissioner Ludwig** made a motion seconded by **Commissioner McLaughlin** to approve licensure of XpertX, Inc., as a Class D Manufacturer in the state of Washington. *Vote taken; the motion passed with five aye votes.*

4. **DigiDeal Corporation, Spokane:**

**Derry Fries**, Assistant Director, noted that DigiDeal applied for a Class D Manufacturer and a Class D Distributor license. The corporation was originally formed in 1997 as Inven Corporation. In 1998, their name was changed to DigiDeal. DigiDeal's corporate headquarters are now located in Spokane. The officers of the corporation are: President and CEO, Michael Kuhn; Treasurer and Chief Financial Officer, Donald Miller; Executive Vice President, Randy Sines; and, Secretary Larry Martin. Mr. Fries identified the corporate stock ownership.

Special agents of the Commission's Financial Investigations Unit conducted a personal and criminal history background investigation on all officers, board members, spouses, and other substantial interest holders. They initiated and completed a review of corporate and financial records, and inspected the manufacturing facility in Spokane. No disqualifying information was found. DigiDeal Corporation does not hold any gambling licenses in the United States at the present time. Based on the investigation, staff recommends approval of DigiDeal Corporation as a Class D Distributor and a Class D Manufacturer License.

**Chair Orr** welcomed Mr. Martin and invited him to the podium for questions. **Mr. Martin** thanked Chairman Orr and welcomed the Commission to Spokane. He affirmed that most of the Commissioners had seen demonstrations of DigiDeal's products over the last three years.

**Commissioner Ludwig** made a motion seconded by **Commissioner McLaughlin** to approve DigiDeal Corporation for Class D Manufacturer and Distributor licensure in the state of Washington. *Vote taken; the motion passed with five aye votes.*

4. **House Banked Card Room Report:**

**Buzz Inn Steakhouse, East Wenatchee:**

**Derry Fries**, Assistant Director, reported Buzz Inn Steakhouse is a commercial restaurant and lounge located in East Wenatchee. Buzz Inn Inc., applied for a license to operate seven tables of house-banked card games. The applicant was formed as a privately held corporation in December 1987. Corporate headquarters are in Everett, Washington. Buzz Inn East Inc.'s ownership consists of David Carino, 37.5 percent ownership, Deloris Robinson, 25 percent ownership; William Tackitt, 25 percent ownership; and Kathy Bilderback, 12.5 percent ownership. The applicant has no other licenses at this time.

Special agents from the agency's Financial Investigations Unit conducted a criminal and personal history background investigation on all substantial interest holders and initiated and completed a financial investigation on both the corporate and personal stockholder finances. No disqualifying information was found. Special agents completed an onsite pre-operational review and evaluation (PORE) in accordance with the rules of the Commission. The applicant was found to be in compliance with the rules of the Commission. Based upon the licensing investigation and the PORE, staff recommends Buzz Inn Steakhouse be licensed as a house-banked public card room, and be authorized to operate up to seven tables with a maximum betting limit of \$25. David Carino and William Tackitt were present.

**Mr. Carino** introduced himself. **Commissioner McLaughlin** asked why the organization was only going to have 5 tables when 15 are allowed. **Mr. Tackitt** introduced himself and responded that he has been licensed by the Commission since 1973. His father used to say, "if you had a place and you only put five bar stools in it, fill those five up first before you add any others." Mr. Tackitt said he has kept that philosophy and he hoped to expand eventually.

**Commissioner McLaughlin** made a motion seconded by **Commissioner Ludwig** to approve Buzz Inn East, Inc., d/b/a/ Buzz Inn Steakhouse, to be licensed as a house-banked card room authorized to operate up to seven tables with a maximum betting limit of \$25. *Vote taken; the motion passed with five aye votes.*

**House-Banked Card Room Statistical Monthly Report:**

**Mr. Fries** announced that with today's approvals, the Commission now has 72 card rooms, which is down from 74 because two card rooms closed their doors—Christo's in Bellingham, and Club TG in Everett. The report shows 13 applications pending, but there are now 15—the new applications are Big Al's in Everett, BC McDonalds in Bothell, and Magic Lanes Restaurant in Seattle. He explained the average number of tables is 13.8 per facility.

There were no questions and **Chair Orr** called for a recess at 2:30 p.m., and recalled the meeting at 2:55 p.m.

5. **Phase II Review:**

**Casino Caribbean, Yakima:**

**Bill McGregor**, Special Agent Supervisor, reported that Casino Caribbean is a commercial restaurant, lounge, and card room. The organization is held by Yakima Cardroom LLC, which is owned by Herbet Lampert, 90 percent, and Michael Marquess, 10 percent. The corporation owns and operates a restaurant and lounge in the same building. Casino Caribbean began conducting house-banked activities on March 29, 2002. They are licensed for 15 tables and operate 2 Spanish 21 games, 1 Let It Ride Bonus game, 1 Caribbean Draw Poker, 1 Three Card Poker, 1 Fortune Pai Gow Poker, 2 Royal Match Blackjack, 1 Lucky Ladies Blackjack, 4 Blackjack and 2 Poker tables.

Staff conducted a comprehensive investigation, including the review and observation of key operating departments. The review team compared actual operating procedures to those documented in the card room rules. The licensee's written internal controls were also compared to the card room rules to ensure compliance and consistency. The review of operating procedures was conducted for the four key operating departments, and a review was also conducted of the organization's gambling and organizational records, to ensure record keeping compliance and that no hidden ownership or unreported third party financing existed.

The city of Yakima was contacted to verify the licensee is current in all gambling taxes and the Yakima Police Department was contacted to verify that there have been no adverse impacts from the card room on the community. All violations noted during the review were verified as corrected during a follow-up inspection. Staff recommends that Casino Caribbean be approved for Phase II wagering limit

Commissioner McLaughlin made a motion seconded by Commissioner Parker to approve Casino Caribbean to operate at Phase II wagering limits, effective immediately. *Vote taken; the motion passed with five aye votes.*

**6. Tribal Phase II Review:**

**Port Gamble S’Kallam Tribe’s Point-No-Point Casino:**

**Cathy Harvey**, Special Agent Supervisor, introduced two tribal representatives present— the Chairman of the Tribe, Ron Charles, and the Tribal Gaming Agency Director, Leo Culloo. She provided a brief history of the Port Gamble Tribe. Port Gamble S’Kallam Tribe is a federally recognized tribe of approximately 1,000 enrolled members. The tribe’s reservation is located in the Little Boston area near Port Gamble, Kingston. The reservation is 1,231 acres and was put into trust in the 1930’s. The tribe adopted their tribal constitution in 1939, which established the tribal business council. On January 26, 1995, Governor Mike Lowery and Tribal Chairman, Gerald Jones, signed the tribal state compact for Class III gaming. The Point-No-Point Casino opened for business on February 14, 2002.

Currently, the staff at the Point-No-Point Casino includes approximately 106 employees of which 22 are enrolled members of the Port Gamble S’Kallam Tribe or are Native Americans with other tribal affiliations. The tribal state compact allows for two levels of operation for Class III gaming—Phase 1 and Phase 2. Phase 1 allows 112 hours of operation per week on an annualized basis, with 31 tables of gaming with an option of an additional table for charity purposes and \$250 maximum wagering limits. Phase 2, if approved, would allow the tribe to operate up to 140 hours per week on an annualized basis and allows up to 50 tables of gaming, with two additional optional tables for charity and \$500 maximum wagering limits. The Phase 1 limits are in effect for the first six months of operation. After six months of operation, and contingent upon the successful completion of a Phase 2 review, the tribe may be allowed to go to the Phase 2 level, with Commission approval.

On July 25, the Port Gamble S’Kallam Tribe requested a Phase 2 review. Tribal Gaming Unit agents from the Commission conducted this review during July, August and September. The focus of the six-month Phase 2 review is outlined in the Compact, Section 3-O, which states that any increase beyond the Phase 1 limits is conditioned upon four criteria. The first criterion is that there have been no violations of the provision of the Compact; that resulted in sanctions imposed by the Federal District Court. During this review, investigators found the Federal District Court had imposed no sanctions.

The second criterion is that there have been no violations of the Compact, which are substantial or due to repetition would be deemed material. Staff found no violations of the Compact which are substantial or material. Staff did note twelve violations of Appendix A—the Point-No-Point Casino Internal Controls. Staff confirmed the violations have been improved or corrected as necessary.

The third criterion is that there have been no material adverse impacts on the public safety or welfare of the surrounding communities in the nature of criminal activities directly related to the operation of Class 3 Facility. Staff found no material adverse impacts on the community.

The fourth criterion is that the Tribal Gaming Agency shall develop a strong program of regulation and control demonstrating proficiency sufficient to protect the integrity of tribal gaming operation which includes the hiring of trained tribal gaming agents, an independent management, and a reporting structure separate from that of the gaming facility, a system for reporting of Compact violations, and a consistent presence within the gaming facility. The tribal gaming agency currently has an effective regulatory program in place. They have an independent management reporting structure, reporting procedures for documenting issues they discover, checklists to document work performed, including the completion frequency, and a consistent presence within the gaming facility.

The Port Gamble S’Kallam Tribe has paid all necessary fees to the Washington State Gambling Commission pursuant to Appendix X, Section 13 of the Compact. In conclusion, investigators found the Port Gamble Tribal Gaming Agency and the management of the Point-No-Point Casino were very responsive and cooperative with all requests made during the Phase 2 review. Based on the information that has been gathered during this review, staff recommends an unconditional approval for Phase 2 limits.

**Ronald Charles**, Tribal Chair, stated he was pleased to appear before the Commission and thanked Commission staff for working so well with their staff. He said everything went smoothly and he was proud of everyone's work.

**Commissioner McLaughlin** wished them good luck. **Commissioner Ludwig** asked if there were other tribal casinos in the Kingston area. Mr. Charles said there was one approximately 12 miles south of them—the Clearwater Casino of the Suquamish Tribe.

**Commissioner Parker** made a motion seconded by **Commissioner McLaughlin** to approve Port Gamble S’Kallam Tribe’s Point-No-Point Casino to operate at Phase II wagering limits. *Vote taken; the motion passed with five aye votes.*

7. **Group IV Qualification Review:**  
**Yakima Valley OIC, Yakima:**

**Deputy Director Bob Berg** reported this is the second qualification review under the terms and conditions of the new rules passed by the Commission last year. In those rules, only groups that have been properly vetted come before the Commission for review to make sure there are no administrative charges pending, so that when they are presented, there is no confusion as to their eligibility for qualification.

Today’s presentation is for Yakima Valley OIC’s evaluation period ending December 31, 2001. Yakima Valley OIC is located in Yakima and was formed in 1971. They have been licensed by the Commission to conduct gambling activities since 1984. The entity provides educational and training programs along with services and operates a food bank. They hold Bingo and Pull-tab licenses, both at the Class I level. As a result of the review by our financial investigations staff, we found that the organization has made significant progress towards their stated purpose, and remain qualified as a non-profit entity authorized to conduct gambling activities. Staff recommends that they be certified to conduct gambling activities in the state of Washington as a charitable organization.

He noted that based on the most recent activity reports submitted, Yakima Valley OIC is ranked 26 in terms of gross activity at the Bingo level in the state. Mr. Henry Beauchamps and Mr. Moul Deaganti were present.

**Commissioner McLaughlin** noted that in the past when this organization was before the Commission, it was tough sledding, she asked what changed. **Mr. Berg** responded that a couple of things had changed. In the intervening time, the net return rule was changed so the bar, in terms of getting over that bar, was changed significantly. With the adjusted cash flow rules, many Bingo entities that had been in regulatory difficulty found themselves no longer to be that way. The other thing might simply be some changes in the demographics of the market. **Commissioner Ludwig** had the same recollection, however, in spite of rule changes and cash flow determination, he remembered when their net gambling income was barely showing on the charts. It’s much higher now and Commissioner Ludwig was pleased to see that. However, it was hard for him to believe that the rule change had that great of an impact. Mr. Berg explained the organization found themselves paradoxically in the situation where the rule change gave them some specific relief. They were going down a road where certain things were going to happen because their net return was a negative 2.4 percent, which would have led to a suspension or revocation of license. There was an “ollie, ollie, oxen free” situation when the new rules were passed and everyone got a clean slate in April of the year the rules became effective. Just looking at the most recent listing, they were well over the adjusted cash flow for the first quarter of 2002 by almost \$100,000. They returned \$104,000 when the requirement was \$18,000. The next quarter, their required cash flow was \$12,000 and they returned \$14,000, so they were much closer. Mr. Berg said he couldn’t speak to the market in Yakima and he thought the organization might have the answers to Commissioner Ludwig’s question.

**Mr. Beauchamps** came forward. **Commissioner Ludwig** asked him to comment on other factors in addition to any rule changes that probably helped them out. Mr. Ludwig referred to the year 2000 and 2001 where they doubled their net income. Mr. Beauchamps responded that they are very pleased too, they made many changes: they cut staff and got staff to cooperate with them in giving up some benefits. They changed games, changed their approach, changed security, and reexamined everything they were doing. Nothing escaped their review. Mr. Beauchamps said they were continuing to promote good customer services and doing all the things one must do to make their place more appealing for the Bingo-playing public. Mr. Beauchamps displayed a brochure assembled for the organization’s 30<sup>th</sup> anniversary celebration and presented a video relating to their organization and their activities. Some general questions and answers were generated.

**Chair Orr** stated the Commission appreciates two things; one is the Yakima OIC’s passionate zeal for what they are doing and their commitment. Secondly, when there was a problem, they fixed it, and the Commission appreciates that spirit. **Mr. Beauchamps** said he appreciated the Gambling Commission for their guidance through they years and the

audits, the counseling, and identifying areas where they had weaknesses and where they could strengthen and improve themselves. He emphasized that Commission staff helped their organization become what they are today.

Commissioner McLaughlin made a motion seconded by Commissioner Niemi to certify Yakima Valley OIC to conduct gambling activities in the state of Washington as a charitable organization. The motion passed with five votes.

**8. Request for Variance:**

**Yakima YWCA, Yakima:**

**Director Day** announced the licensee has requested a continuance, and the matter has been set for discussion at the November 14<sup>th</sup> Commission Meeting.

**9. Other Business/General Discussion/Comments from the Public:**

**Chair Orr** called for comments from the public – there were none.

**Executive Session To Discuss Pending Investigations, Tribal Negotiations & Litigation:**

At 4:04 p.m., Chair Orr called for and Executive Session, he recalled the meeting at 5:05 p.m., and immediately recessed the meeting until 9:30 a.m., October 11, 2002.



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**COMMISSION MEETING  
FRIDAY, OCTOBER 11, 2002  
MINUTES**

**Chair Orr** called the meeting to order at 9:30 p.m., at the WestCoast Grand Hotel at the Park, located in Spokane, and welcomed the attendees.

**MEMBERS PRESENT:**                      **COMMISSIONER GEORGE ORR, CHAIR;  
COMMISSIONER LIZ McLAUGHLIN, VICE CHAIR;  
COMMISSIONER CURTIS LUDWIG;  
COMMISSIONER JANICE NIEMI;  
SENATOR MARGARITA PRENTICE;  
SENATOR SHIRLEY WINSLEY;  
REPRESENTATIVE CHERYL PFLUG;**

**OTHERS PRESENT:**                      **RICK DAY, Executive Director;  
ROBERT BERG, Deputy Director, Operations;  
ED FLEISHER, Special Assistant; Policy and Government Affairs;  
DERRY FRIES, Assistant Director, Licensing Operations;  
CALLY CASS-HEALY, Assistant Director, Field Operations;  
AMY PATJENS, Administrator, Communications & Legal;  
JERRY ACKERMAN, Assistant Attorney General;  
SHIRLEY CORBETT, Executive Assistant**

**RULES UP FOR DISCUSSION**

**13. Regulatory Fee Increase and Expanding Bingo and PB/PT Classes:**

**WAC 230-04-202, WAC 230-04-203, WAC 230-04-204, and WAC 230-08-017:**

**Amy Patjens** reported that there are limits on the amount of fee increases allowed due to Initiative 601, and it must be consistent with the fiscal growth factor, which was 3.29 percent for this year. Item 13A contains the fees for charitable operators. Overall, the fees for charities haven't been increased for three years. Staff expanded the license classes for both Bingo and Pull-tabs. At this point, the rules dealing with being able to increase the number of days were passed at the last meeting, and licensees are able to take advantage of that, even though the fee hasn't changed.

Item 13B deals with license classes being expanded for the commercial pull-tab operators.

Item 13C relates to fees for individuals.

Item 13D addresses fees for identification stamps. They are the stickers applied to pull-tab and amusement games and are used to track games. She pointed out last month, but wanted to repeat again that the underlined fee section on page 17 does not represent new fees, staff simply provided a new table format. Staff added a fee to allow Bingo operators to buy five thousand cards for linked Bingo games rather than two hundred and fifty. The rest of the fees have only been increased by the fiscal growth factor. Staff recommends further discussion.

**Commissioner Ludwig** asked if the intent is to adopt the rules effective January 1 of 2003. **Ms. Patjens** affirmed.

**Commissioner Ludwig** asked if it is up for final action next month. **Ms. Patjens** affirmed and noted that staff would probably have another recommendation at the November meeting. Commissioner Ludwig affirmed that while we've got to stay in sync with Initiative 601, the Commission needed to discuss the possibility of increasing some fees but delaying the implementation or payment until later in the year, in order not to hit the licensees with that increase right away. He also noted they would save money if the increase is delayed. Ms. Patjens affirmed and noted that staff was reviewing the impacts of delaying implementation of the fee increase until June 30, and that staff planned to provide more information in November.

Chair Orr called for other questions. **Representative Pflug** questioned the time period that the increase was calculated for and inquired when the last increases were implemented. **Ms. Patjens** explained the Commission approved a fee increase for the commercial operators last year, and did not impose a fee increase for the charitable operators. The year before that, she didn't believe there was a fee increase. Then, there was a year the Commission imposed a fee increase, and provided refunds when they found they didn't need the money. In essence, the commercial operators experienced a fee increase last year, and it has been three years since the charities experienced a fee increase. Representative Pflug asked if they were now proposing increases for both, for the coming year, and Ms. Patjens affirmed. **Chair Orr** called for questions.

**Tim Iszley** of the Silver Dollar, said his concern would be for the entry-level employees—referring more to first-time employees, and creating a barrier to enter their industry because of the fee increases. He noted they already pay a substantial amount more the first time than they do their second, third, or fourth year. He emphasized that a lot of those people come from minimum wage jobs or no jobs at all, and have a difficult time paying the license fees.

**Commissioner McLaughlin** asked what the proposed increase would be. **Derry Fries**, Assistant Director, responded that the difference would be a \$9 increase for a new application if an out-of-state check is necessary, and \$7 if it is an in-state applicant. Mr. Iszley noted that the fee increases add up over the years. **Commissioner Ludwig** asked Mr. Iszley if any employers pay for their card room employee fees. Mr. Iszley said his establishment does not, and he didn't know of any that do. He affirmed there are special cases when an employer may front the money if they find a good employee who doesn't have the funds. Then, the employee pays the fee back through payroll deductions. **Commissioner Niemi** verified the state doesn't get any of this money, and all they do is try to figure out how much it costs to do these things, and as stated, the costs are higher the first time around. She suggested the establishments could pay the fees. Mr. Iszley questioned whether that's exactly true because the fees for top-level employees in the non-profit industry are substantially less than for entry level employees. He found it difficult to believe staff does more work for a dealer or surveillance officer than for the head of a Bingo operation.

**Ric Newgard**, Executive Director of Seattle Junior Hockey Association, believed the Commission's job was to make sure that the proceeds for charities go to their stated purpose, which is also his job. He reported that he was still having a problem with the math, primarily as it pertains to his pull-tab license increase. He advised that he has been running pull-tabs seven days a week for a couple of years. Pull-tabs have been legal seven days a week, forever. His license fees are going to go from \$10,208 to \$15,000, which is not a 3.29 percent increase. He advised his overall license fees for Bingo and pull-tabs, overnight, without any growth in his existing business, is going to go from \$23,000 to over \$29,000. He understood that in the Bingo arena some fee increase is necessary because the industry is going to more days, and there will be more compliance issues. He advised that he was having difficulty with the math on the overall package, particularly in the pull-tabs, which has already been legal seven days a week. This is money that goes to the youth and athletic programs. He understood balancing a budget, but, he preferred that he didn't have to contribute more than what he already does.

**Steve Strand**, President of the Washington Charitable and Civic Gaming Association, also spoke with regard to the Bingo and pull-tab class licenses. He said that it appears that the purpose of, and the view of these license fees have changed (at least using the Bingo class license, for example), from a fee for service or cost of providing the regulatory overview of that license, to a revenue stream. He emphasized that the number of Bingo sessions required to be reviewed from the last increase that was imposed three years ago has significantly reduced. He believed the Bingo industry was being considered a revenue stream, rather than paying a fee for services. In closing, he emphasized that the staff visits they receive at their game, and the complaint level, certainly didn't seem to be sufficient to ask for the fees provided.

**Chair Orr** assured Mr. Strand and Mr. Newgard that their comments had been duly noted, and further rebuttal or debate about these questions would be conducted next month.

**Commissioner McLaughlin** asked what the impact would be if the fee increase was not put in place until September of 2003 versus June 30. **Mr. Berg** responded that would have to be calculated. Commissioner McLaughlin asked if those figures could be provided at the next meeting. Mr. Berg affirmed, and noted that one of the things that would occur if the increases were delayed beyond June 30, would be to forego the opportunity for fee increases for the following fiscal year. **Commissioner Ludwig** noted that if the increases were effective June 30, that would in essence be cutting the fee in half for that first year. **Mr. Fries** pointed out that if the fee increase is not instituted until June 30, the people renewing on June 30 would pay the full fee. Mr. Berg verified Commissioner Ludwig's point—the difference in terms of the agency revenues, would be half. Since licenses expire every month, depending on when the licensee renews, some would feel the full freight immediately upon renewal, and others would basically get a pass until 2004.

**Commissioner Ludwig** asked if there was a simple way to accommodate the implementation date so that it was fair equally across the board. **Mr. Fries** stated that when the fee increase is implemented, it is fair across the board because at that point in time, everyone starts paying the new fee. There will be some licensees with a license that will be ongoing during a period at the old rate, but that happens in all fees. Commissioner Ludwig asked if there was any way they could draft this rule, or amend it, to provide that fee increase would be effective six months after the specific license was due. Mr. Fries responded that would be very tough because someone would always be affected, at some point in time. He affirmed the Commission could select the effective to be any date they desired. Commissioner Ludwig asked if the effective date couldn't be commensurate upon the licensee's renewal date. Mr. Fries supposed so, however, it would have to be implemented on a case-by-case basis. **Director Day** believed delaying the implementation date would amount to approximately \$150,000 in fees that the Commission would give up in the first six months. The concept would be that the Commission would enact the rules but delay the effective date until June 30. That would reduce the amount of total fees the agency collects—and those that renew after that time would have to pay the new fee. Director Day said that is fair and practical, because it is at one time, it is a clear date; otherwise it may be very difficult to apply.

**Representative Pflug** asked if fee increases have historically been effective in January. **Director Day** affirmed. Representative Pflug supported the annual concept, however, if the increase in the fee is based on fee-for-service versus revenue generation, she suggested that rather than delay the implementation date, to decrease the fee increase. Director Day affirmed an alternate method would be to decrease the percentage of the fee increase. Commissioner McLaughlin asked if that wouldn't run into I-601 issues. Director Day affirmed it would lower the base. Representative Pflug questioned if the fee increase is based on what it costs to run the service, why are we trying max out what we can get under 601. **Chair Orr** responded that if we don't increase our fees to match 601 this year, and we have a short fall next year, the agency could be in trouble. Representative Pflug affirmed that could happen if costs were increasing faster than the growth factor.

With no further comments or questions, **Chair Orr** called for a recess at 10:15 a.m. and reconvened the meeting at 10:30 a.m.

#### **14. Other Business/General Discussion/Comments from the Public.**

**Steve Griffiths**, on behalf of the Washington State Council on Problem Gambling, extended an invitation to the Commissioners for the Council's second annual awards dinner to be held on Thursday evening of the November commission meeting. This is a dinner to acknowledge people who have contributed to the Council and helped them address the issue of problem gambling. He emphasized that once again, the Council has been very thankful for their relationship with the Commission and would like the Commissioners to attend and receive acknowledgement.

#### **Presentation – The Entertainment Industry Coalition (EIC), Jim Springer, Chair:**

**Mr. Springer** thanked Chair Orr and the Commission members for allowing the EIC to make this presentation. He reported that he has been in the bowling business in Kelso as a proprietor for twenty-three years. Prior to that, he either managed the bowling centers or worked in them. He reported that he has a long and proud record of public service and city council work. He was elected to the State Legislature in 1992 and served with Chair Orr, and Commissioner Ludwig during the '93-'94 session. He noted that he was very privileged to be appointed by the Governor to the Governor's Task Force on Gambling and spent quite a bit of time with Senator Prentice and others touring the state and reviewing what was going on with gaming throughout the state of Washington in the 1993-94 session. That committee was obligated to come up with recommendations to the Governor and to the Legislature regarding gambling. He noted it was an eye-opening session because that was an era when there were just a handful of tribal casinos in existence, and they were limited to the Reno Night style gambling and pull-tab operations. Mr. Springer reported that he has

personally been involved with pull-tab operations since 1974. His license is one of the older licenses in the state of Washington for pull-tabs. Pull-tab gaming has been an integral part of his business since 1979. He also has a restaurant, a lounge, and a game room for kids. When he bought his business in 1979, it was predicated on the fact that there were different revenue venues that existed in order to meet mortgage payments and to be able to buy the place. The value of the business was predicated on what was there, which included pull-tabs. **Mr. Springer** affirmed that a lot of things have changed since 1979. He still has a mortgage, and he's reinvested in his business a lot of times. However, over time, the industry has begun to suffer for various and sundry reasons. The need to do something about the losses, not just to the commercial activities, but also to non-profit and charitable organizations, led to the formation of the Entertainment Industry Coalition. They were formed during the 2002 Session and have one goal. That goal was for fairness and equity in gaming. He felt there is no longer fairness and equity in gaming in the state of Washington.

**Mr. Springer** reported that the Entertainment Industry Coalition is represented by seven statewide organizations. They include the Washington Charitable Civic and Gaming Organization, Hospitality Partners, the Restaurant Association, the Washington State Bowling Proprietors, Recreational Gaming Association, The Federation of Clubs, Suppliers and Vendors. They represent in excess of 120,000 employees, and as an organization, they have over 2,000 members as businesses and individuals at this time. They have a substantial economic and social interest in the state of Washington. What is common to all of them has been an ongoing, staggering loss of revenue, which has resulted in the layoff of employees. The problem, in his case, is that within the last two years his licensing for pull-tabs has dropped two levels, from a Class L to a Class J. Those levels represent a drop of \$250,000 at a time, which for him is a loss of \$500,000 in gross receipts. That means \$40,000 a year to his business that is gone. It means that the City of Kelso is losing about \$20 to \$25,000 a year in the taxes. It also means that his license fees have dropped two levels, and that is \$1,400 in fees the state is no longer collecting. That doesn't count the transaction taxes associated with the reduction in games, or the B&O taxes. He is only one operation in the city of Kelso—a small community, but he is severely impacted by this issue, as are all the commercial operators and all of the non-profit operators, who are confronted daily with the fact that since the implementation of electronic devices at tribal casinos, they are suffering. They are legitimate businesses that have been in operation from five to thirty years, and many of them are disappearing. They are laying off employees, and the numbers of licenses are down. The Gambling Commission's own reports show a substantial drop in revenues for all punch board and pull-tab operators. He provided personal statistics, noting that for the first quarter of 2000 he was down 8 percent, in the second quarter, he was down 28 percent and for the third quarter, he was down 38%.

He noted there were 562 Bingo operators in 1986; there are only 146 today. Paternal clubs ran Reno Nights, and there were 900 in 1986; only 37 events were held in 2001. Non-profit organization revenues have dropped from \$25.5 million in 1996 to \$18.9 million in 2001, and 2002 looks even bleaker. Pull-tab revenue has dropped from \$763,000,000 in 1995 to \$485,000,000 in 2001. **Mr. Springer** emphasized this is a lot of money, and it is not staying in our communities. It's not paying for the infrastructure of the cities and the law enforcement agencies; it has gone to tribal casino gaming. In King County, since 1996, Bingo taxes are down 77 percent, pull-tabs are down 28 percent, the City of Kent gambling is down 43 percent, the City of Yakima Bingo taxes are down 80 percent, and pull-tab taxes are down 23 percent.

He noted that tribal impact fees do not offset the losses that are occurring in non-tribal gaming. The tribal study estimated that \$3,000,000 in 2% payments were paid on net receipts of \$422,000,000. In 2001, non-tribal activities paid \$44.3 million in local taxes on net receipts of \$436,000,000. From 1991 to 1993 the tribes paid impact fees totaling \$17,000,000. From 1996 to 2001, the non-tribal people paid \$196,000,000. Ninety-three Restaurant Association members closed their businesses in 2002, already, up from 43 in all of 2001. This represents \$67,000,000 in lost sales and 2,021 jobs. Several card rooms are currently in bankruptcy, and many are just at the break-even point. In the WSGC's own report, net income for card rooms is down 9 percent since 2001. Bingo licenses were down another 9 percent in 2001. **Mr. Springer** emphasized this is not a level competitive playing field, and he admitted there could never be a level playing field. The EIC is simply asking for some fairness—for some opportunity to get back to where they were—charitable donations and tax base infrastructure monies are plummeting. He also felt that it was fair to say that part of the state's budget problem is directly related to taxation and transaction taxes, and gaming taxes, and fees that have been lost since the implementation of electronic gaming at tribal casinos.

**Commissioner Ludwig** verified that Mr. Springer was saying the loss is based on the fact the tribes now have electronic gaming devices. **Mr. Springer** affirmed. Commissioner Ludwig said the state gets no money from those activities. Mr. Springer said that when people quit gambling or quit playing pull-tabs, they go to casinos to play. The taxes that would go to the city are lost. It's a volume issue. The drop in volume is so severe that everyone in the retail world is suffering

and the state also suffers those losses. **Senator Winsley** asked how long bowling establishments have had pull-tabs. Mr. Springer said since 1973. Senator Winsley asked if his problem wasn't that bowling is not as popular a sport as it used to be. She noted three bowling facilities closed in Pierce County in the last five years—that told her something about bowling; but it didn't tell her a thing about punch boards.

**Mr. Springer** affirmed that league bowling is down substantially but open-play bowling isn't. In fact, the bowling industry, bowling revenues, and bowling lineage has stayed relatively flat for the last six or eight years. There hasn't been a decline or increase either way across the nation. As an example, he addressed statistics relating to an annual event, the Highlander Bowl, which was held at his facility one year and then in the San Juan's in a subsequent year. He also noted that over and over again, during the San Juan event, customers came in, cashed their checks, and went gambling someplace else, usually at tribal facilities. **Mr. Ackerman** said he thought he understood Mr. Springer's argument with regard to card rooms, or any of the industries that he represent, that are in close proximity in the Puyallup or Tacoma area. He inquired if the Chehalis Tribe was the closest casino to Kelso. Mr. Springer said yes. Mr. Ackerman asked if Mr. Springer had conducted any kind of a survey to show, as the Senator indicated, that his financial problems may be due to a lack of interest in bowling as opposed to people saying they are going to take their entertainment dollars, and instead of bowling, they drive 45 miles to Chehalis. He asked if Mr. Springer had any data. Mr. Springer responded that he has owned the bowling center for twenty-three years. In the last twenty-three years, including his year ending June 30, 2002, he has seen an increase in bowling revenue every year, with one exception. He was wiped out in a flood in 1986. He said he has had an increase in business overall in his establishment up until this past year, and his biggest drops occurred in beverage and gambling. Bowling remained the same. In fact, bowling was up slightly. He said he could substantiate the numbers in his operation. Mr. Springer said he has to be an aggressive promoter to keep ahead of the economy. He stressed that it was important to point out the huge amounts reflected in the earlier numbers, that the non-profit charitable organizations, besides organizations like his, have suffered. The number of businesses that have gone out of business, the Bingo parlors, and the Big Brothers and Big Sisters in Spokane losing \$400,000 in Bingo revenues. He emphasized this is not an isolated case. Those people, in many cases, are the largest pull-tab operations in their communities. In Cowlitz County, the largest pull-tab operation is the Bingo hall, not the tavern or the bowling center. Mr. Springer advised his business is either number 2 or number 3—but his license class just dropped two more points.

**Mr. Ackerman** said his question, more specifically, is whether Mr. Springer had facilitated any kind of survey, or tried to ascertain that there is a cause and effect relationship between his lack of restaurant and bar business and punch board and pull-tab business, and that money is going to the Chehalis facility or any other facility. Mr. Ackerman pointed out that the Commission has heard of the problems in the Bingo operations for at least two or three years, and, much of the blame for their demise has been laid at the foot of card rooms and other non-tribal activities such as the lottery. Mr. Ackerman suggested that it would be helpful to know if there is data to support the cause and effect relationship that Mr. Springer is drawing. **Mr. Springer** responded that he isn't laying the blame for the demise of Bingo operations on card rooms, because Bingo players and card room people are totally different groups of people. Mr. Ackerman affirmed that is the message the Commission has been hearing over the last three years from Bingo operators. Mr. Springer said he could only offer his own special surveys of what's going on, and he believed there is a direct correlation in the losses, especially around the areas of the Muckleshoot and the Puyallup facilities. When the Little Creek Casino opened in the Shelton area, both of the bowling centers in Tumwater and Olympia area, literally overnight, suffered over 60 percent losses in pull-tab gaming. **Chair Orr** interrupted saying he could understand what Mr. Springer is saying, however, "a significant amount of this is not in the Gambling Commission's control. It is the Legislature who makes the rules. Obviously they should take some of these things into consideration, but the Commission only regulates." He asked Mr. Springer to curtail his concerns and explain how the Commission could offer assistance.

**Mr. Springer** said the EIC is working on a bill at this time that will be presented to the Legislature. They have worked with Gambling Commission staff to review the bill and to offer opinions and concerns regarding some of the language, the issues, and the conflicts. The bill proposes that the Gambling Commission would regulate the gaming regulation in this regard, the equality of machinery. Their purpose for being here today is to explain who they are, why they are here, and what they are about—that is to pass legislation in order to give them as close to parity as possible with electronic gaming in the state of Washington—under the same rules, and the same manner of machine gaming as the tribes, and to update the industry and put them in the 21<sup>st</sup> Century. That would eliminate paper tickets and give them electronic gaming and, it is hoped, get them back to where they once were. The bill, in essence, would restrict gambling to people age 21 and older. Businesses would have to qualify for a gambling license under the same rules they qualify for

gambling licenses now. The state would benefit financially by getting a 20 percent tax, and the locals would get 5 percent of the net receipts. The bill also dedicates 5 percent of the state taxes to problem gambling treatment, which is one of the few bills that have ever done that sort of thing. The EIC is coming forward to let the Commission know that this is not an issue of convenience gambling. They don't believe this bill expands the gambling footprint because they are limiting the proposal to existing licensees, or those that may otherwise qualify down the road. He stressed that the EIC is not pretending that this is a panacea to the state budget, but they do believe it will yield \$200 million to \$300 million dollars in the first biennium, and in excess of that in the next, and that the EIC has a lot of numbers, facts and data to support their numbers.

**Mr. Springer** noted there are 15 states with machine gaming. They have an average of 210 net wins with machines per day, a low of 47 in Montana and a high of 442 in Illinois. The Puyallup Tribe has estimated that they do between 250 and 350 per machine, per day, and other tribes have also said the same thing. Their estimate for Washington is \$150. Oregon currently does \$143. All but four states have net taxes over \$216,000,000 and machine gaming happens to be 70 percent of the casino's revenue, which is why the EIC believe pull-tab revenues have been severely impacted. He believed the Gambling Commission should be extremely concerned about this because it represents a loss of revenue and a loss of business. It's an aquiline to scratch tickets and it gives charities, fraternal and commercial organizations, stimulant businesses, race tracks, and card rooms an equal footing, at least as close as they can get because it will never be equal. The EIC proposes that they have the same amount of machines statewide that the tribes have. Mr. Springer said the data and facts speak for themselves. The benefit to the state is like a bonus because of the taxation issue; there is a distribution formula that lays out how the machines would be distributed throughout the state; 50 percent would go to businesses like his, of which there a couple of thousand, 35 percent to card rooms and race tracks, and 15 percent to top Bingo operations, the remaining Bingo operations actually fall into the bottom category.

**Mr. Springer** suggested this is a win/win situation and would save thousand of jobs and may create new jobs. Licensees would get a shot at winning back the customers lost to tribal casinos. They do not begrudge the tribes for their opportunity to do this, and they do not begrudge the tribes having casinos. They do have a problem with the monopoly issue associated with this because it's affecting them, and it is impacting his bottom line. **Commissioner McLaughlin** asked if the EIC had any studies to tell the Commission how much revenue the tribes would lose if the EIC were successful in getting the same number of machines throughout the state. Mr. Springer said there was no real way to do a study at that particular level. What they do believe, is that what will happen is the acceleration, the speed at which tribal gaming continues to grow, will slow. They do not believe it's going to drop. They do not believe they are going to take it away on a substantial basis. The EIC believes that what will happen is that the growth will slow. The Commission's own documents show that it has been growing exponentially. They anticipate there would be a slowdown in tribal gaming, not a loss.

**Chair Orr** reiterated that the Commission's job is to regulate gambling and called Mr. Springer's attention to the mission statement, which is to make sure there is only legal gambling in the state of Washington. He emphasized that the EIC's message should go to Olympia. **Mr. Springer** agreed, however, the EIC believed that it was time for the organization that ultimately does the regulating to know in advance what his organization's mission was. Chair Orr said that as long as the Commission has the right to charge the appropriate regulatory fees, the Commission would regulate whatever gambling the state of Washington says is legal.

**Commissioner Ludwig** didn't think there was any debate that electronic gambling devices in non-tribal facilities would be a real benefit to the state of Washington with regard to revenue. His question, based on Mr. Springer's presentation, and particularly his own experience, was whether some of the losses he was talking about were based on non-tribal competition. Mr. Springer said in his case, no, his players were going to the tribal casinos and playing the slot machines.

**Commissioner Niemi** commented that she could certainly understand that they wanted to change the law to allow these machines and possibly even to allow people to use cash; and it's perfectly reasonable for them to join together and try to have the Legislature pass that. However, she said she was shocked by their proposal. Legislators listen to the people and then legislators write a bill, if they thought it appropriate to respond to the people. She noted she was always wary of any bill that any kind of a lobbyist, charitable or non-charitable, proposed. Throughout Mr. Springer's presentation, he talked about "their bill" which actually means the gambling organizations' bill. Having read the bill, Commissioner Niemi suggested that it was clearly not written by legislative staff. There are many small and large problems that need to be solved. Commissioner Niemi could not believe they would propose a bill that would so obviously try to get people to

vote for it because his organization, not the legislators, decided that the state should get 20 percent, local government should get 5 percent, Problem Gambling should get 5 percent, and that the Department of Social and Health Services should set up something so that they could take care of problem gamblers. Commissioner Niemi found it incredible that the EIC would propose this kind of bill and think that they could declare how much money they would get and how the rest is to be disposed. She believed it was reasonable for the EIC to want these machines, but it was inappropriate, especially when they are talking about level playing fields in reference to tribal casinos.

**Senator Winsley** addressed the term mini-casinos, noting the bill in Olympia was to expand card rooms from five to fifteen card tables. Suddenly, there were all the neon signs and mini-casino billboards, which she believed turned the public off. Senator Winsley suggested that if the bill doubles that amount, there would be even more signs. She believed that some of the people would kill their own goose, so to speak, with all the neon signs. She emphasized that Legislators have to go home and live with the people in their district, and they don't like neon signs anywhere. There were no further questions. **Chair Orr** called for other public comments.

**Ms. Stevens**, a member of the Tulalip Tribe, spoke on behalf of the Washington Coalition for Tribal Self-Reliance. This was a coalition created by tribal leaders earlier this year to provide information about tribal government gaming. She noted that the issue introduced by the EIC on whether to expand for-profit gambling is an important public policy issue, but it is not a budget issue as referenced to tax revenues. She affirmed there are legitimate public policy issues about gambling that should be thoughtfully debated, including how much for-profit gambling should be allowed in Washington, how to regulate it (which is a question for this body), how to tax it, and where it should be permitted. Gambling should not be driven by budget policy. As a budget issue, she didn't believe expanding for-profit gambling would pass the first gate. Allowing for-profit gambling for the purpose of generating tax revenue is extremely inefficient and has unintended consequences. The EIC suggested that 25 cents on the dollar would go to government revenue, however, she asked where the other 75 cents goes, and what are the collateral impacts on other governments, including tribes, cities, and counties. Ms. Stevens asked what the cost would be for the increased regulation. Law enforcement would also be an issue for the cities and counties, as well as social programs. She asked how reliable the revenue stream is, and how long would it be before the state received any revenue. Ms. Stevens cautioned that there is a huge difference between government sponsored gaming and for-profit gambling. Tribal gaming is 100 percent taxed. Revenue from tribal government gaming goes to pay for health care, child care, elder care, education, housing, public safety, economic development, and natural resource management, and every dime stays in Washington. The same can be said of state sponsored lottery games, but, it cannot be said about for-profit gambling at card rooms, racetracks and bowling allies. The proposal by the EIC isn't about helping non-profit gaming or a few struggling restaurants. Enhanced card rooms' revenues have increased 666 percent since 1997. This is not about producing revenue for the state; it's about putting video slot machines in card rooms in the name of fairness and equity. It's not about fairness and equity; it's about personal profit. It's about turning bars, racetracks, bowling allies, and a lot of other places into for-profit gambling casinos. Out-of-state and publicly traded companies are already buying up card rooms in Washington. Policy makers have to ask themselves two questions. Just because we have gambling in the state, should we have unlimited gambling. That is the road the EIC proposal takes. Secondly, if there wasn't money in it for the state, would this kind of gambling expansion stand on its own as good public policy, and would there even be serious discussion of wide open for-profit gambling for its own sake. The issue whether to expand for-profit gambling is an important public policy issue. It is not a budget issue. **Chairman Orr** emphasized this issue would appropriately go to the Legislature. The Commission's concern is regulating gambling. He said the Commission would stay out of the policy debate and let the Legislators make laws.

**Bethany Look**, Second Harvest Food Bank of the Inland Northwest, read the following letter into the record:

"To whom it may concern, Northern Quest Casino built and operated by the Kalispel Tribe of Indians, donates a significant amount of money to charitable organizations throughout Eastern Washington every year. In December of 2001, Northern Quest Casino donated 665 pounds of food and \$500 to supplement the Second Harvest Food Bank's food supply during the harsh winter months. Northern Quest Casino also donated over \$2,300 during the first six months of 2002. In May of 2003, Northern Quest Casino will sponsor our 9<sup>th</sup> annual unique food-tasting-and-action event, Taking a Bite Out of Hunger, at the highest level of \$3,000.

It is important to understand the impact that expanding gaming in Washington State would have on

organizations like the Second Harvest Food Bank. Poverty is already a huge problem in Spokane County. Our median family income is significantly lower than the state and national averages. One-third of the people in Spokane County are living at or below 200 percent of the Federal Poverty level. Many people living in Spokane County fall into the category of "working poor." They simply do not make enough to support themselves and their families; they make below the livable wage.

Expanding gaming beyond the tribal entities would be detrimental to the Second Harvest Food Bank and other agencies that serve those in need in Eastern Washington. Making gambling easier for people to access simply gives those people with addictive personalities another destructive pattern to fall into. Money that should have been spent on food or clothing or diapers will be spent at the slot machines or card tables.

With increased methamphetamine use, corporate and industrial layoffs, and our low minimum wage, along with so many other things, the human service organizations in Spokane County have enough hurdles to clear. Please do not make our job of caring for our neighbors in need any harder."

Susan Faltermeyer  
Director of Development

**Chair Orr** called for further public comment.

**Don Kaufman**, General Manager and Director for Big Brothers and Big Sisters said he didn't want to get into a fight with his fellow non-profits. He noted his organization had lost \$400,000 in net revenues in the last ten years. He pointed out that the families that are being talked about at the food bank are the same families his organization is working with on a daily basis, and that his organization needed the revenues to continue services to those kids and families. Mr. Kaufman believed the EIC proposal was probably in a no/win situation. If the EIC hadn't proposed some taxes, they would have been accused of not doing so, and being greedy. If the EIC proposed taxes, they would be accused of stepping on Legislators toes. He explained that what they have done is put together a proposal that would be up for debate on a legislative floor and certainly open to amendments. He believed it was a reasonable proposal, and a good starting point. Mr. Kaufman hoped the EIC would gain some support from the Gambling Commission for their effort to try to level the playing field just a little bit. He acknowledged it would never be completely level. He noted that in the taxation area alone, there is a big discrepancy. However, what the EIC is also saying is that they are willing to be taxed in order to have the privilege to have the machines to get back some of the lost revenues. There were no further public comments.

**17. Adjournment:**

With no further business, Chair Orr adjourned the meeting at 11:20 a.m. The next meeting is scheduled for November 14 and 15, in Seattle.

Minutes submitted by:

Shirley Corbett  
Executive Assistant